

CEI 7

415 E. DIAMOND AVE.
GAITHERSBURG, MD 20877

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Property Summary



OFFERING SUMMARY

| | |
|----------------|------------------------|
| Sale Price: | \$1,800,000 |
| Cap Rate: | 8.3% |
| NOI: | \$150,000 |
| Lot Size: | 0.52 Acres |
| Year Built: | 1986 |
| Building Size: | 11,000 SF |
| Renovated: | 1999 |
| Zoning: | CBD |
| Market: | Washington / Baltimore |
| Price / SF: | \$163.64 |

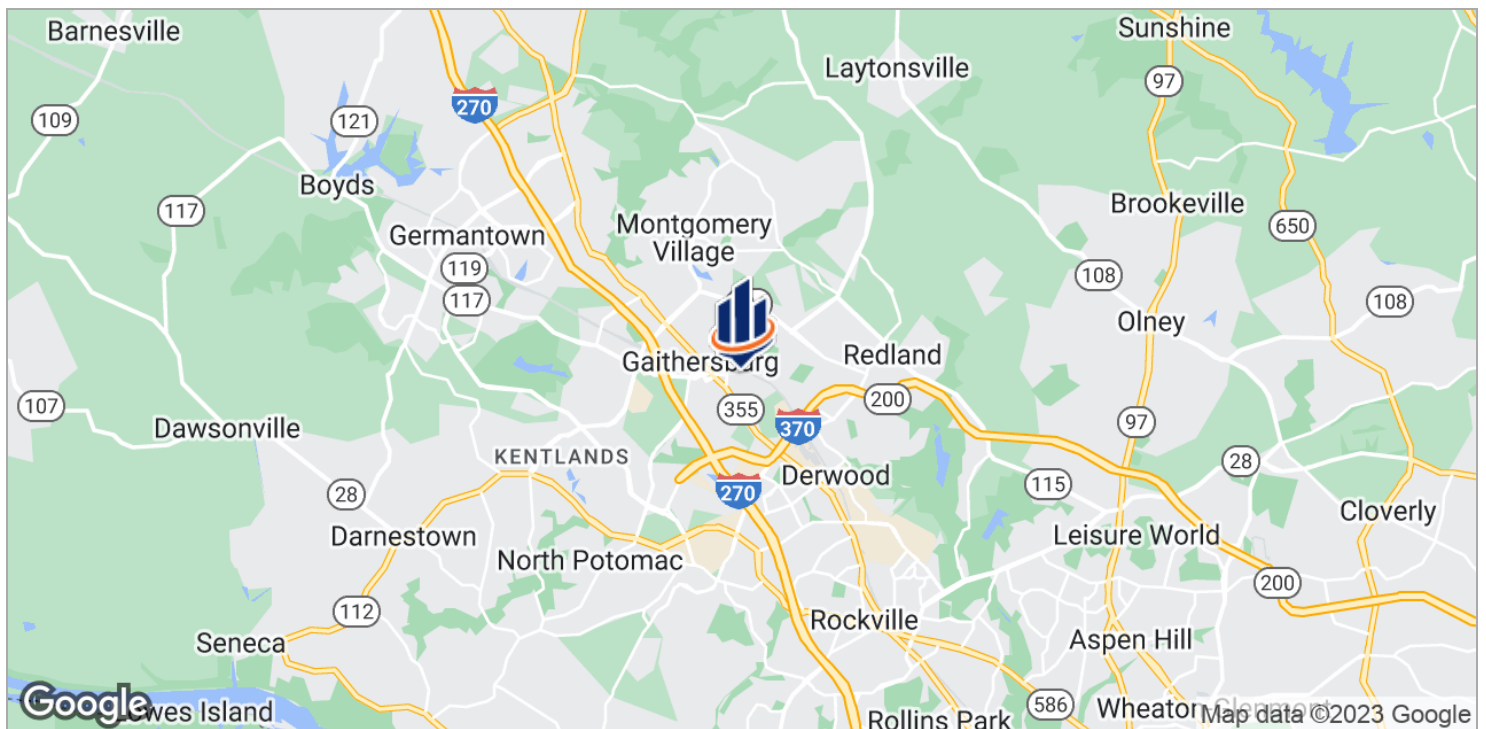
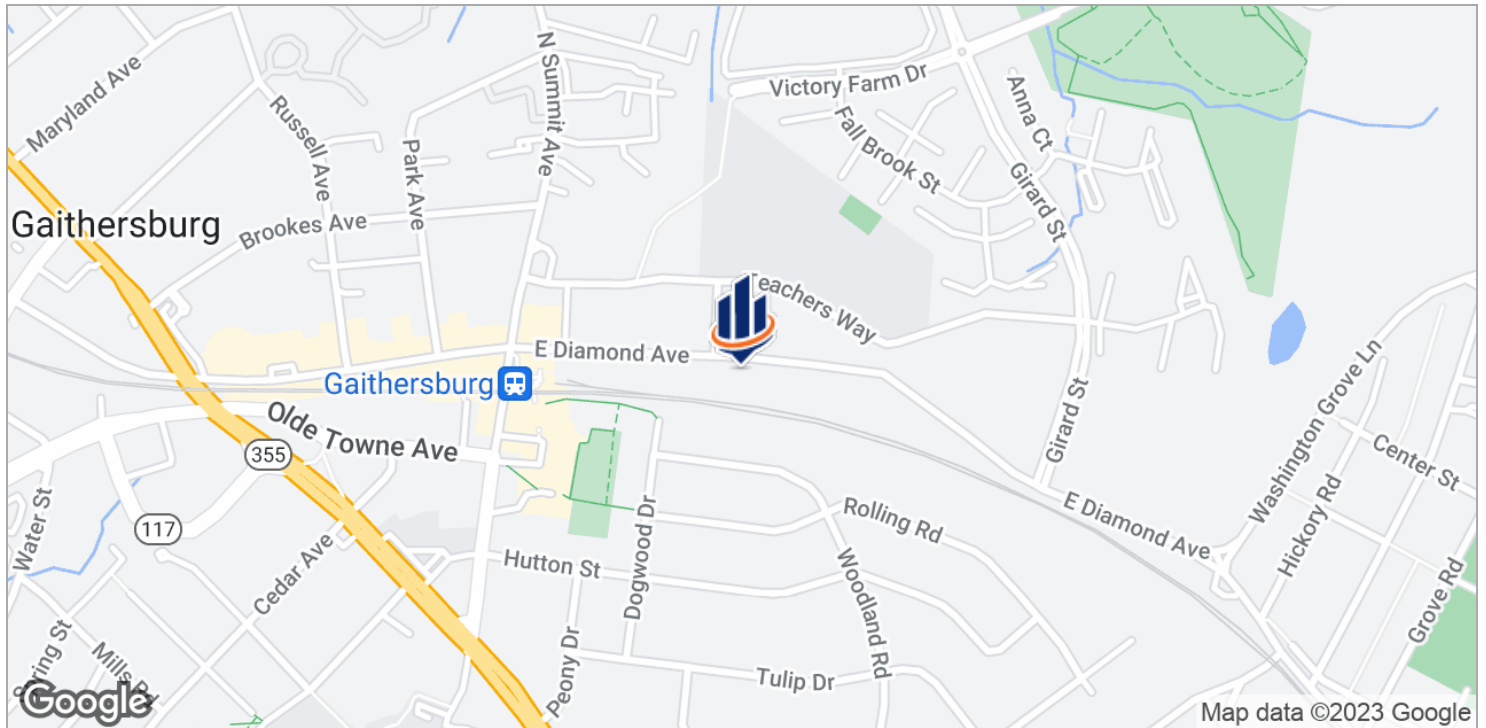
PROPERTY OVERVIEW

Olde Town Gaithersburg has undergone a multi-year redevelopment plan to create a town center plan including retail, office and multi-family facilities. Olde Town Gaithersburg is one of 14 MARC Train stations serving Western MD on the Brunswick line. The property was re-zoned to CBD but retains I1 use until use change occurs.

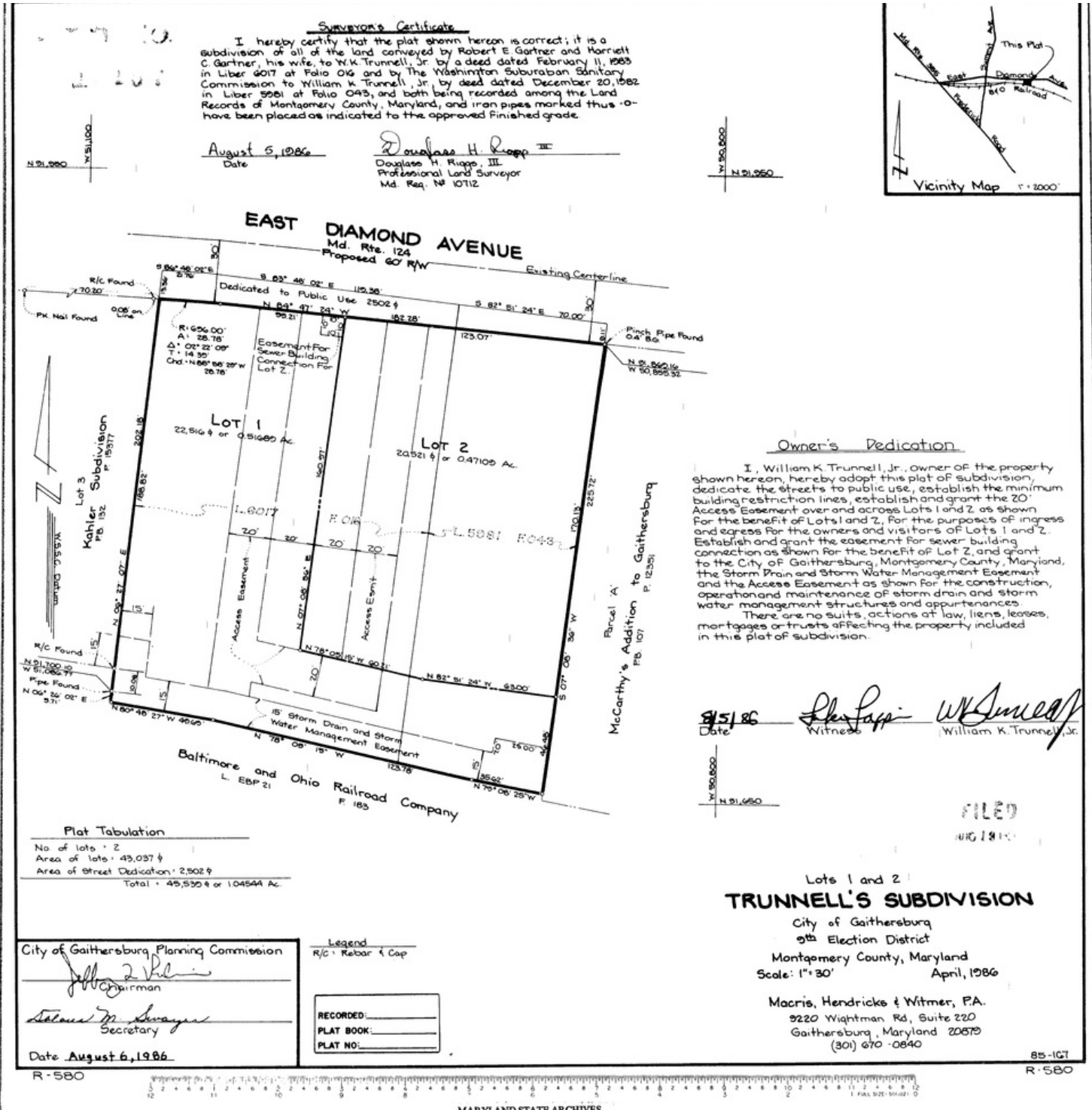
PROPERTY HIGHLIGHTS

- Flex Style building with spacious offices
- House can be for residential or office use
- Central Montgomery County location
- MARC Train Station within walking distance

Location Maps



Site Plan



Financial Summary

INVESTMENT OVERVIEW

P&L

| | |
|----------------------------|-------------|
| Price | \$1,800,000 |
| Price per SF | \$163.64 |
| CAP Rate | 8.0% |
| Cash-on-Cash Return (yr 1) | 9.32 % |
| Total Return (yr 1) | \$56,428 |
| Debt Coverage Ratio | 1.35 |

OPERATING DATA

P&L

| | |
|------------------------|-----------|
| Gross Scheduled Income | \$156,000 |
| Other Income | \$30,000 |
| Total Scheduled Income | \$186,000 |
| Vacancy Cost | \$6,240 |
| Gross Income | \$179,760 |
| Operating Expenses | \$32,945 |
| Net Operating Income | \$146,760 |
| Pre-Tax Cash Flow | \$37,843 |

FINANCING DATA

P&L

| | |
|----------------------------|-------------|
| Down Payment | \$366,000 |
| Loan Amount | \$1,470,000 |
| Debt Service | \$109,000 |
| Debt Service Monthly | \$9,083 |
| Principal Reduction (yr 1) | \$31,800 |

Rent Roll

| TENANT NAME | UNIT NUMBER | UNIT SIZE (SF) | LEASE END | LEASE START | % OF BUILDING |
|-----------------------|----------------|-------------------|--------------|----------------|------------------|
| Identity | 415 A | 1,800 | 7/2019 | Current | 16.36 |
| Identity | 417 C,D | 2,480 | 7/2019 | Current | 22.55 |
| Gaithersburg Auto | 417 B | 2,596 | 2/2017 | Current | 23.6 |
| Tires 4 U | 417/A | 2,250 | 5/2018 | Current | 20.45 |
| New Spectrum Electric | 417 E | 1,739 | 12/2018 | Current | 15.81 |
| Totals/Averages | | 10,865 | | | |

415 E. Diamond Ave. Rent Roll

| Tenants | End Date | Options | Monthly Rent | Annual Rent | Lease | SF |
|-------------------|------------|---------|--------------|-------------|---------|-------|
| New Spectrum Elec | 12/31/2018 | 1 | \$2,373 | \$28,480 | 5 years | 1739 |
| Tire 4U | 5/31/2018 | | \$2,285 | \$27,424 | 5 years | 2250 |
| Gaithersburg Auto | 2/28/2017 | | \$3,812 | \$45,741 | 5 years | 2596 |
| Identity Youth | 7/31/2019 | 2 | \$4,537 | \$54,442 | 4 years | 4280 |
| Totals | | | \$13,007 | \$156,087 | | 10865 |
| Average Rent SF | | | | \$14.37 | | |

Options

1. Identity has expansion option for this space which would trigger early termination of NSF lease.
2. Identity - Option to expand into NSF space.

| 415 & 417 E. Diamond Ave - Projected P & L | |
|--|-------------|
| Income | |
| Rent | \$156,087 |
| Vacancy - 5% of scheduled rent | -\$7,804.36 |
| Cam Recovery - Estimated | \$30,000 |
| Total Revenue | \$178,283 |
| | |
| Expenses | |
| Maintenance | \$1,800 |
| Landscaping | \$2,000 |
| Permits & Licenses | \$601 |
| Professional Fees | \$6,000 |
| Pest Control | \$1,600 |
| Equipment Repairs | \$1,100 |
| Taxes | \$15,844 |
| Insurance | \$4,000 |
| Total Expenses | \$32,945 |
| Net Operating Income | \$145,338 |

Disclaimer: All figures are based on estimated projected rent schedule and expense analysis available at the time of preparation. Validation of the current revenue and expense data is the responsibility of the buyer.

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DCF Analysis V 6.2

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| Legend | | |
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DCF Analysis Input Sheet -12/6/2017

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Property Assumptions

| | | |
|----|---|--------------------------------------|
| 1 | Name | 415 E. Diamond |
| 2 | Location | Gaithersburg |
| 3 | Type of Property | Industrial / Retail / Office |
| 4 | Purpose of Analysis | Investment / Sale Analysis |
| 5 | Prepared By | Ralph Duarte, CCIM |
| 6 | Size (Square feet or Number of Units) | 10,865 |
| 7 | Assessed/Appraised Value of Land | Assessed Dollar Amount ▼ \$270,000 |
| 8 | Assessed/Appraised Value of Improvements | Assessed Dollar Amount ▼ \$953,000 |
| 9 | Assessed/Appraised Value of Personal Property | Assessed Dollar Amount ▼ |
| 10 | Useful Life of Improvements (Years) | Non-Residential (Commercial) ▼ 39.0 |
| 11 | Useful Life of Personal Property (Years) | |
| 12 | Acquisition Price | \$1,800,000 |
| 13 | Acquisition Costs | Percent of Acquisition Price ▼ 2.00% |

Instructions :

| 14 | Potential Rental Income and Escalations | | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 | Year 11 |
|----|---|--|-----------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|
| 15 | Potential Rental Income | Yr 1 total amount and annual % changes ▼ | \$156,000 | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| 16 | Other Income (Collectable) | Yr 1 total amount and annual % changes ▼ | \$30,000 | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |

| 17 | Annual Vacancy Rates (Percent of Potential Rental Income) | | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 | Year 11 |
|----|---|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|
| | | | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |

| 18 | Operating Expenses and Escalations | Yr 1 total amount and annual % changes ▼ | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 | Year 11 |
|----|------------------------------------|--|----------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|
| 19 | Total Operating Expenses | | \$33,000 | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |

Financing Assumptions

| | | 1st Mortgage | 2nd Mortgage |
|----|-----------------------------|--------------------------------|--------------|
| 20 | Loan Amount | Dollar Amount ▼ \$1,170,000 | \$300,000 |
| 21 | Interest Rate | 5.00% | 6.50% |
| 22 | Amortization Period (Years) | 25 | 20 |
| 23 | Loan Term (Years) | 10 | 10 |
| 24 | Payments Per Year | Twelve ▼ 12 | 12 |
| 25 | Loan Costs | Percent of Loan Amount ▼ 1.50% | 1.00% |

Investor/Owner Assumptions

| | | |
|----|---|--------------------------------------|
| 26 | Ordinary Income Marginal Tax Rate | 34.00% |
| 27 | Capital Gains Tax Rate | 20.00% |
| 28 | Cost Recovery Recapture Tax Rate | 25.00% |
| 29 | Anticipated Holding Period (1 - 10 Years) | 10 |
| 30 | Disposition Price | Cap Rate ▼ 7.50% |
| 31 | Disposition Cost of Sale | Percent of Disposition Price ▼ 7.00% |

Cash Flow Analysis Worksheet

| | | | |
|-----------------------------|------------------------------|---------------------------|-------------|
| Property Name | 415 E. Diamond | Acquisition Price | \$1,800,000 |
| Location | Gaithersburg | Plus Acquisition Costs | \$36,000 |
| Type of Property | Industrial / Retail / Office | Plus Loan Costs | \$20,550 |
| Size of Property (sf/units) | 10,865 | Minus Mortgages | \$1,470,000 |
| Purpose of Analysis | Investment / Sale Analysis | Equals Initial Investment | \$386,550 |
| Prepared by | Ralph Duarte, CCIM | | |
| Date Prepared | December 6, 2017 | | |

MORTGAGE DATA

COST RECOVERY DATA

BASIS DATA

| | 1st Mortgage | 2nd Mortgage | | Improvements | Personal Property | | |
|---------------------|--------------|--------------|-------------------|--------------|-------------------|-------------------------|-------------|
| Amount | \$1,170,000 | \$300,000 | Value | \$1,430,669 | | Acquisition Price | \$1,800,000 |
| Interest Rate | 5.00% | 6.50% | C. R. Method | SL | SL | Acquisition Costs | \$36,000 |
| Amortization Period | 25 | 20 | Useful Life | 39.0 | | Total Acquisition Basis | \$1,836,000 |
| Loan Term | 10 | 10 | In Service Date | 1-Jan | 1-Jan | | |
| Payments/Year | 12 | 12 | Date of Sale | 31-Dec | 31-Dec | | |
| Periodic Payment | \$6,839.70 | \$2,236.72 | 12 Months % age | 2.564% | | | |
| Annual Debt Service | \$82,076 | \$26,841 | 11.5 Months % age | 2.457% | | | |
| Loan Fees/Costs | \$17,550 | \$3,000 | | | | | |

TAXABLE INCOME

| End of Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|--------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 1 POTENTIAL RENTAL INCOME | \$156,000 | \$160,680 | \$165,500 | \$170,465 | \$175,579 | \$180,847 | \$186,272 | \$191,860 | \$197,616 | \$203,545 | \$209,651 |
| 2 -Vacancy & Credit Losses | \$3,120 | \$3,214 | \$3,310 | \$3,409 | \$3,512 | \$3,617 | \$3,725 | \$3,837 | \$3,952 | \$4,071 | \$4,193 |
| 3 EFFECTIVE RENTAL INCOME | \$152,880 | \$157,466 | \$162,190 | \$167,056 | \$172,068 | \$177,230 | \$182,547 | \$188,023 | \$193,664 | \$199,474 | \$205,458 |
| 4 +Other Income (collectable) | \$30,000 | \$30,600 | \$31,212 | \$31,836 | \$32,473 | \$33,122 | \$33,785 | \$34,461 | \$35,150 | \$35,853 | \$36,570 |
| 5 GROSS OPERATING INCOME | \$182,880 | \$188,066 | \$193,402 | \$198,892 | \$204,541 | \$210,352 | \$216,332 | \$222,484 | \$228,814 | \$235,327 | \$242,028 |
| 6 TOTAL OPERATING EXPENSES | \$33,000 | \$33,660 | \$34,333 | \$35,020 | \$35,720 | \$36,435 | \$37,163 | \$37,907 | \$38,665 | \$39,438 | \$40,227 |
| 7 NET OPERATING INCOME | \$149,880 | \$154,406 | \$159,069 | \$163,872 | \$168,820 | \$173,918 | \$179,168 | \$184,577 | \$190,149 | \$195,888 | \$201,801 |
| 8 -Interest-First Mortgage | \$57,952 | \$56,718 | \$55,420 | \$54,057 | \$52,623 | \$51,116 | \$49,532 | \$47,867 | \$46,117 | \$44,277 | |
| 9 -Interest-Second Mortgage | \$19,277 | \$18,771 | \$18,230 | \$17,654 | \$17,038 | \$16,382 | \$15,682 | \$14,934 | \$14,137 | \$13,286 | |
| 10 -Cost Recovery-Improvements | \$35,152 | \$36,682 | \$36,682 | \$36,682 | \$36,682 | \$36,682 | \$36,682 | \$36,682 | \$36,682 | \$35,152 | |
| 11 -Cost Recovery-Personal Property | | | | | | | | | | | |
| 12 -Loan Costs Amortization | \$2,055 | \$2,055 | \$2,055 | \$2,055 | \$2,055 | \$2,055 | \$2,055 | \$2,055 | \$2,055 | \$2,055 | |
| 13 - | | | | | | | | | | | |
| 14 - | | | | | | | | | | | |
| 15 REAL ESTATE TAXABLE INCOME | \$35,444 | \$40,181 | \$46,681 | \$53,425 | \$60,422 | \$67,682 | \$75,217 | \$83,039 | \$91,158 | \$101,118 | |
| 16 Tax Liability (Savings) at 34% | \$12,051 | \$13,661 | \$15,872 | \$18,165 | \$20,543 | \$23,012 | \$25,574 | \$28,233 | \$30,994 | \$34,380 | |

CASH FLOW

| | | | | | | | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--|
| 17 NET OPERATING INCOME (LINE 8) | \$149,880 | \$154,406 | \$159,069 | \$163,872 | \$168,820 | \$173,918 | \$179,168 | \$184,577 | \$190,149 | \$195,888 | |
| 18 -Annual Debt Service | \$108,917 | \$108,917 | \$108,917 | \$108,917 | \$108,917 | \$108,917 | \$108,917 | \$108,917 | \$108,917 | \$108,917 | |
| 19 - | | | | | | | | | | | |
| 20 - | | | | | | | | | | | |
| 21 - | | | | | | | | | | | |
| 22 CASH FLOW BEFORE TAXES | \$40,963 | \$45,489 | \$50,152 | \$54,955 | \$59,903 | \$65,001 | \$70,251 | \$75,660 | \$81,232 | \$86,971 | |
| 23 -Tax Liability (Savings) (Line 16) | \$12,051 | \$13,661 | \$15,872 | \$18,165 | \$20,543 | \$23,012 | \$25,574 | \$28,233 | \$30,994 | \$34,380 | |
| 24 CASH FLOW AFTER TAXES | \$28,912 | \$31,828 | \$34,280 | \$36,791 | \$39,360 | \$41,989 | \$44,677 | \$47,427 | \$50,238 | \$52,591 | |

| Before Tax | | | | After Tax | | | |
|------------|-------------|--------|-------------|-----------|-------------|--------|-------------|
| EOY | \$ | | | EOY | \$ | | |
| 0 | (\$386,550) | | | 0 | (\$386,550) | | |
| 1 | \$40,963 | | | 1 | \$28,912 | | |
| 2 | \$45,489 | | | 2 | \$31,828 | | |
| 3 | \$50,152 | | | 3 | \$34,280 | | |
| 4 | \$54,955 | | | 4 | \$36,791 | | |
| 5 | \$59,903 | | | 5 | \$39,360 | | |
| 6 | \$65,001 | | | 6 | \$41,989 | | |
| 7 | \$70,251 | | | 7 | \$44,677 | | |
| 8 | \$75,660 | | | 8 | \$47,427 | | |
| 9 | \$81,232 | | | 9 | \$50,238 | | |
| 10 | \$86,971 | + | \$1,440,729 | 10 | \$52,591 | + | \$1,210,496 |
| IRR = | | 23.18% | | IRR = | | 18.49% | |
| NPV @ | 8.00% | = | \$682,440 | NPV @ | 6.00% | = | \$580,495 |

[illegible]

Proof of Before Tax IRR

| EOY | Cash Flows | Sale Proceeds | | | | | | | | |
|--------------|-----------------------------|---------------|--------------------------|---|-------------------------------------|---|-----------------------------|---|--------------------------|-------------|
| | -386,550 | | | | | | | | | |
| 1 | 40,963 | | | | | | | | | |
| 2 | 45,489 | | | | | | | | | |
| 3 | 50,152 | | | | | | | | | |
| 4 | 54,955 | | | | | | | | | |
| 5 | 59,903 | | | | | | | | | |
| 6 | 65,001 | | | | | | | | | |
| 7 | 70,251 | | | | | | | | | |
| 8 | 75,660 | | | | | | | | | |
| 9 | 81,232 | | | | | | | | | |
| 10 | 86,971 + | 1,440,729 | | | | | | | | |
| IRR = 23.18% | | | | | | | | | | |
| Year | Beginning Investment Amount | + | Amount Earned/ Return On | = | Beginning Amount Plus Amount Earned | - | Amount Withdrawn/ Cash Flow | = | Ending Investment Amount | Return Of |
| 1 | \$386,550 | + | \$89,621 | = | \$476,171 | - | \$40,963 | = | \$435,208 | (\$48,658) |
| 2 | \$435,208 | + | \$100,902 | = | \$536,110 | - | \$45,489 | = | \$490,621 | (\$55,413) |
| 3 | \$490,621 | + | \$113,750 | = | \$604,370 | - | \$50,152 | = | \$554,218 | (\$63,597) |
| 4 | \$554,218 | + | \$128,494 | = | \$682,713 | - | \$54,955 | = | \$627,757 | (\$73,539) |
| 5 | \$627,757 | + | \$145,544 | = | \$773,302 | - | \$59,903 | = | \$713,398 | (\$85,641) |
| 6 | \$713,398 | + | \$165,400 | = | \$878,798 | - | \$65,001 | = | \$813,798 | (\$100,400) |
| 7 | \$813,798 | + | \$188,678 | = | \$1,002,475 | - | \$70,251 | = | \$932,224 | (\$118,426) |
| 8 | \$932,224 | + | \$216,134 | = | \$1,148,358 | - | \$75,660 | = | \$1,072,698 | (\$140,474) |
| 9 | \$1,072,698 | + | \$248,703 | = | \$1,321,402 | - | \$81,232 | = | \$1,240,170 | (\$167,471) |
| 10 | \$1,240,170 | + | \$287,531 | = | \$1,527,701 | - | \$1,527,701 | = | | \$1,240,170 |
| Totals | | | \$1,684,758 | | | | \$2,071,308 | | | \$386,550 |